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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

19 January 1983

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Chairman, National Intelligence Council

FROM : David D. Gries
National Intelligence Officer for East Asia

SUBJECT : Your Friday Lunch with Secretary Shultz/Technology
Transfer to China

1. The DDI has recently produced some good documentation on technology transfer to China. These lead to some unexpected judgments. Given Secretary Shultz's interest in this subject as shown during Monday's meeting with Secretaries Baldrige, Weinberger, and yourself, he may find a summary of these judgments useful.

- Since 1979 a substantial amount of high technology has been transferred to China and only a small amount in dollar terms and in number of items has been refused.
- For the past year there has been a marked trend towards fewer applications for license and fewer approvals. Declining applications may reflect China's reluctance to be turned down. Declining approvals mainly reflect a more conservative approach in the Department of Defense.
- A review of commitments and statements of intention made by US officials since 1977 shows that broad US statements of intention regarding technology transfer have not been matched by US actions.



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- Chinese complaints about US failure to transfer some kinds of technology reflects not only a genuine grievance but also reaction to perceived unequal treatment. Like the sovereignty issue, the unequal treatment issue evokes strong Chinese responses.
- Chinese complaints over the technology transfer issue are in part a pressure tactic designed to encourage US flexibility. The Chinese probably know that some high profile cases notwithstanding, they are acquiring more high technology from the US than from any other source.
- China's illegal acquisition of technology is a separate issue, but it must be monitored carefully. China has developed a small but steadily growing program to acquire restricted technology and we expect this program to expand regardless of any changes in US technology transfer policy.

2. As Secretaries Shultz and Weinberger said on Monday, it may be necessary to adjust our policy. There are basically three options on the table (and written into the NSSD on China):

- The first option leaves technology transfer policy where it is now -- confused and susceptible to different interpretations.

- The second option leaves China in its own special category

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- The third option moves China [Redacted] In this instance the USG loses much control of high technology exports.

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